

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For The Year Ended
December 31, 2001**

**The Consolidated Government
of the City of Baton Rouge and
Parish of East Baton Rouge,
Louisiana**

**Prepared by
Finance Department
David M. Medlin, CPA, Director**

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
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FOR THE YEAR ENDED DECEMBER 31, 2001**

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May 10, 2002

The Honorable Mayor-President
and Members of the Metropolitan Council
City of Baton Rouge
Parish of East Baton Rouge
Baton Rouge, Louisiana 70802

Dear Mayor-President and Council Members:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the consolidated government of the City of Baton Rouge and Parish of East Baton Rouge (City-Parish) for the fiscal year ended December 31, 2001. The Accounting Division of the City-Parish Finance Department prepared this report in accordance with Generally Accepted Accounting Principles (GAAP). We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the City-Parish as measured by the financial activities of its various funds and the entity-wide presentation; and that disclosures necessary to enable readers to gain an understanding of City-Parish financial affairs have been included. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the local government.

The City-Parish financial statements have been audited by Postlethwaite & Netterville, APAC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, financial statements for the fiscal year ended December 31, 2001, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first document of the financial section of this report.

The City-Parish is required to undergo an annual single audit in conformance with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, Standard Form SF-SAC, findings and recommendations, and the auditors' reports on the internal control structure and compliance with applicable laws and regulations, is presented immediately preceding the Statistical Section of this publication.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City-Parish's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Parish of East Baton Rouge was established as a division of government of the *West Florida Republic* in 1810. The Parish later became a local governmental unit of the State of Louisiana and the United States when Louisiana was admitted to the Union in 1812. The City of Baton Rouge was incorporated as a municipality on July 6, 1817. These two government entities operated as separate local government units until January 1, 1949. At an election on August 12, 1947, the voters of both the parish and the city adopted the current Plan of Government (as amended) which consolidated the administration of most local government services for the city and the parish. Baton Rouge was one of the first consolidated forms of local government established in the United States. The elected Mayor-President serves as the leader of the executive branch of City-Parish government. The legislative branch is the elected Metropolitan Council, which is composed of 12 district representatives.

The City-Parish provides a full range of services to the general public, including police and fire protection, emergency medical services, public works, public health and social services, public transportation, planning and zoning, economic development, an airport, construction and maintenance of streets and infrastructure, libraries, general administrative services, sewage treatment, and solid waste disposal.

A determination of the financial reporting entity to be included in this CAFR is made through the application of criteria established by the Governmental Accounting Standards Board (GASB), Statement 14. A complete explanation of the financial reporting entity is included in the Summary of Significant Accounting Policies in the Notes to the Financial Statements.

The City-Parish financial reporting entity consists of the following:

- The Primary Government - This is the City-Parish (all funds under the auspices of the Mayor-President and the Metropolitan Council).
- Legally separate component units - These units of government are legally separate from the City-Parish government but have a sufficiently close relationship with the government to warrant inclusion in the consolidated financial report.

The financial statements included in this CAFR are as follows:

<u>Name of Organization</u>	<u>Type of Unit</u>
▶ The City-Parish	Primary Government
▶ City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System	Blended Component Unit
▶ District Attorney of the Nineteenth Judicial District	Discrete Component Unit
▶ Nineteenth Judicial District Court	Discrete Component Unit
▶ East Baton Rouge Parish Family Court	Discrete Component Unit
▶ East Baton Rouge Parish Juvenile Court	Discrete Component Unit
▶ Nineteenth Judicial District Indigent Defender Board	Discrete Component Unit
▶ East Baton Rouge Parish Clerk of Court	Discrete Component Unit
▶ Capital Region Planning Commission	Discrete Component Unit
▶ East Baton Rouge Parish Coroner	Discrete Component Unit
▶ Parish Fire Protection Districts	Discrete Component Units
▶ Capital Transportation Corporation	Discrete Component Unit

An explanation of the accounting policies of the City-Parish is contained in the Notes to the Financial Statements. The basis of accounting, fund structure, and other significant information on financial policy are explained in detail in the Notes.

Budgetary control is maintained by the encumbrance of appropriations with purchase orders prior to their release to vendors. Purchase orders that exceed appropriation balances are not released unless additional appropriations are made available. The annual operating budget, or financial plan, is proposed by the Mayor-President and enacted by the Metropolitan Council. Management control for the operating budget is maintained at the fund and department level. Additional details on the budget process are explained in the Notes to the Financial Statements.

Budget-to-actual comparisons are provided in this report for each individual governmental fund. For the general fund, this comparison is presented in Exhibit A-7. The capital projects fund budget statement is presented on a project length basis as legally adopted by the Metropolitan Council on Exhibit C-3. For other governmental funds, the annual budget comparison is presented in the Combining and Individual Fund Statements and Schedules, Exhibits C-4 through C-22.

Under the Plan of Government, the Finance Department is entrusted with maintaining accounting systems for the City, Parish, and districts over which the Metropolitan Council is the governing body, in accordance with the best-recognized practices in governmental accounting. It keeps the records for, and exercises financial and budgetary control over, each City-Parish department, office, and agency.

In developing and evaluating the accounting system of the City-Parish, the Finance Department considers the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and regarding the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the City-Parish government is responsible for ensuring that adequate internal controls are in effect. All internal control evaluations occur within the framework described. The Finance Department believes that the internal controls of the City-Parish adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Condition and Outlook

The City of Baton Rouge is the state capital and the second largest city in Louisiana. It is located on the Mississippi River in the southeast region of the state and is a major center for commerce, industry, tourism, and many diverse cultural activities. The City is the principal home of two major state universities: Louisiana State University and Southern University. The North American Free Trade Agreement (NAFTA), approved by Congress in 1993, enables Baton Rouge, because of its location, to take economic advantage of one of the world's largest free trade zones.

A number of Fortune 500 companies engaged in oil refining, petrochemical processing, and wood products are found in the industrial corridor along the Mississippi River near Baton Rouge. These industries are major employers of Baton Rouge's labor force. Other important industries include government, construction, banking and financial services, insurance, real estate, and wholesale and retail trade.

According to the Louisiana Department of Labor, the annual average rate of local unemployment rose in 2001, as reflected in the following chart:

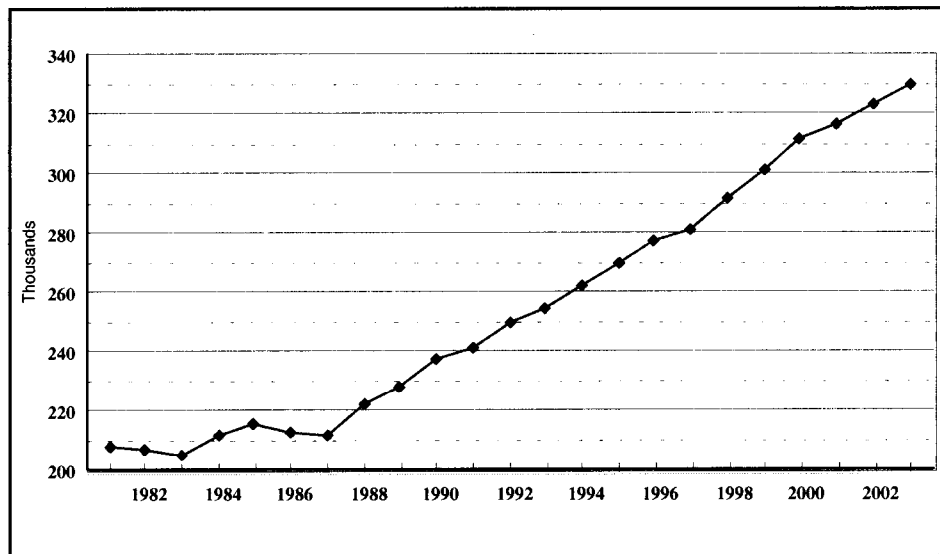
	<u>East Baton Rouge Parish</u>	<u>Baton Rouge MSA</u> ⁽¹⁾
1997	5.1	5.3
1998	4.3	4.6
1999	3.7	4.0
2000	4.2	4.8
2001 ⁽²⁾	4.9	5.5

⁽¹⁾ Metropolitan Statistical Area

⁽²⁾ Preliminary Figures

The 2001 Louisiana Economic Outlook projected the following conditions for Baton Rouge's four-parish Metropolitan Statistical Area (MSA) during 2002-2003:

FIGURE 1
BATON ROUGE MSA WAGE & SALARY EMPLOYMENT



[Figure 1] illustrates employment patterns in the capital city area over [1982-2002] along with forecasts for 2002-2003. This MSA is made up of four parishes . . . East Baton Rouge, West Baton Rouge, Ascension, and Livingston Parishes. The Baton Rouge MSA has the most enviable growth record in the state in terms of both size and consistency. The MSA was tapped by the recessionary years for about 2.2 percent of its workforce, but the region immediately recovered those losses with a banner year in 1988 when it gained 10,300 new jobs. Since then, the MSA's employment has gone straight up for 14 years, adding a robust average of 7,500 jobs each time the calendar turned.

The **chemical industry** has been the principal source of this extraordinary expansion. This MSA has the largest concentration of chemical industry activity in Louisiana. For example, in 1997 there were 62 plants in the 4-parish area employing 9,850 workers with an annual payroll of \$598 million. East Baton Rouge Parish (\$300.3 million) has the largest concentration of chemical industry wages in the state, and Ascension Parish (\$274.9 million) ranks number

three. It was the dramatic expansion in this industry, in response to a falling U.S. dollar in the late 1980s that fueled much of Baton Rouge's remarkable expansion.

... the chemical industry is very capital-intensive, and that means when it expands, so does the **industrial construction**. Industrial construction jobs are also closely tied to "turnarounds" at these plants, i.e., when the plants are shut down completely for scheduled maintenance. ... The Baton Rouge MSA has an unusually high 12.4 percent of its workforce in the construction sector, a proportion only matched by Lake Charles...site of another major chemical concentration.

Of course, **state government** is another major player in the Baton Rouge economy. The huge state capital complex and two major state-supported universities ... LSU and Southern University ... add significant dollars to the Baton Rouge economy. The Louisiana economy has now been growing for 14 straight years. Solid expansions like that generate a generous stream of tax collections into the state treasury.

There has been a slight change in state government's influence on the Baton Rouge economy more recently. While the MSA has been aided by a huge injection of construction dollars into the building of the downtown government complex, direct state government employment has been mostly flat of late. This has contributed to the MSA's employment growth slowing to only 5,300 in 2001, below its 1987-01 trend of 7,500 jobs a year.

The existence of the large universities has recently spawned the growth of a new, job-intensive industry in the area ... **call centers**. The Baton Rouge Area Chamber of Commerce reports the addition of 11 new call centers in the MSA since 1992. These range in size from the relatively small ones with 20 employees to West Telecommunications with a workforce of 1,900.

As seen in [Figure 1] ... , **LEM is projecting 13,400 new jobs for the Baton Rouge MSA over 2002-03**. Unlike the Alexandria MSA, there is a substantial amount of planned new economic activity in the Baton Rouge region. While not every industry in the area is facing a rosy future, most are. For example, on the negative side:

- *The **chemical industry** remains somewhat problematic for the next two years. While a recovery in both national and international economies, and a decline in the exchange value of the dollar will enhance chemical sales, natural gas prices in the \$3.50 per mcf range will remain a serious irritant for the industry. This will be especially so for the ammonia fertilizer plants in the MSA. **CF Industries, Triad Nitrogen, and PCS Nitrogen** are already operating at about one-half capacity. Our conversations with engineering firms indicate chemical capital budgets have been pretty radically sliced. We are aware of only one chemical plant expansion over our forecast period. **ExxonMobil** is planning a \$150 million expansion of its plastics plant which will generate 80-100 new jobs. We suspect these gains will be easily offset by layoffs at other chemical plants in the area.*
- ***State and local governments**, which have historically been a steady source of new jobs in this MSA, will not be over 2002-03. Cutbacks in industrial construction in the area have reduced local sales tax collections on construction supplies. East Baton Rouge Parish sales tax collections were down ... State government employment has been flat to declining in recent years. In the 12 months from June 2000 to June 2001, 800 state government positions vanished within this MSA.*

On the more positive side, there are several sources of good job growth over our forecast period.

- *While a lackluster chemical industry will curtail **construction activity**, at least three factors will give it a serious boost. First, beginning in mid-2002, the **refineries** in the MSA will make*

*those investments to produce a lower sulfur grade gasoline. The huge ExxonMobil Refinery alone will spend \$250 million on these upgrades. Secondly, we estimate there will be about \$86 million in new construction involved with **building state government facilities** in downtown Baton Rouge. Thirdly, an economy that has been expanding as fast as Baton Rouge is going to require additional single family homes, apartment complexes, and commercial establishments which will boost **general construction**.*

- *Over the next two years, ASA will bring its new aircraft maintenance facility to the Baton Rouge Airport, adding 100 high-paying jobs.*
- *Baton Rouge's call centers continue to add jobs. **Convergys**' new contracts with AT&T and Sprint will enable it to easily double its 650-person workforce. **West Teleservices** will add significantly to its 1,900-person workforce as well. There will be slight offsets to these gains when Cingular closes its call center (-140 jobs) and when Alltel shuts its 25-person customer service center.*
- ***John Folsie** is moving his food processing facility from New Orleans to Donaldsonville. Ultimately, he plans to have 90 people employed at that plant.*
- ***Shaw Industries** is a special bright light in the Baton Rouge economy. This firm has a \$3.1 billion backlog of work and has a large, multi-story headquarters building under construction on Essen Lane.*
- *It is very likely that **Georgia Pacific** will expand its tissue paper plant over the next two years, creating additional construction and permanent jobs.*

*There are two other areas to watch carefully for their job impacts in Baton Rouge. One is the **Louisiana High Tech Park**, which continues to attract tenants. The other is the MSA's **engineering firms**. One, **CDI Engineering**, has indicated it will expand its office from 50 to 100 new engineers due to a new contract with Dow. On the other hand, there is presently a consolidation of engineering activity from our state to Houston. The reason? The refinery upgrades we have mentioned above all use basically the same technology. Unlike chemical firm expansions which are all unique and are handled locally, it is cheaper to handle all the look-alike refinery upgrades at one site . . . Houston. It is not clear how Baton Rouge will come out on the net with regard to these high-wage engineering positions.*

Addendum to Louisiana Economic Outlook

The 2001 Louisiana Economic Outlook includes an addendum which addresses the economic aftermath of the tragic events of September 11, 2001:

Many of the trends we discuss in this year's LEO should not be changed significantly by the events of September 11th. Other trends will be affected, at least, temporarily.

- *Uncertainty will slow consumer and business spending until at least the end of the year. This will reduce our real gross domestic product in the second half of this year and the early part of 2002. . . . This slower growth associated with the national economy will filter through the Louisiana economy.*

- *Chemical industry employment may drop more than the 800 jobs [statewide] we have projected since national and global demand for chemicals will be weaker in the near term.*
- *We anticipate aircraft maintenance facilities in Baton Rouge . . .to ramp up more slowly . . . than expected.*
- *The growth of service industry employment will be reduced because (1) call center job growth will not expand as fast as projected, (2) hotel employment growth will be much slower in 2002, and (3) casino employment may be hampered by a reduction in tourism in 2002.*

At this juncture we expect the Louisiana economy to experience less growth than what would have occurred if the events of September 11 had not occurred. This pause will be principally felt in the last four months of this year and the first half of 2002. The baseline for this assumption is the last war our country experienced...the Gulf War...which slowed the U.S. economy for only three quarters. We hope and pray this issue will be resolved even more quickly. But always remember the American economy is a remarkable machine. The machine has not been damaged.

An article published in the local newspaper, *The Advocate*, on March 26, 2002, reported that the Baton Rouge Metropolitan Area posted by far the biggest yearly gain in total number of jobs according to the February report issued by the Louisiana Department of Labor. Dr. Loren Scott, one of the above economic forecasters, stated in the article that he felt it was reasonable that Baton Rouge would gain approximately 19,000 jobs in 2002.

Although jobs continue to grow in East Baton Rouge Parish, local sales tax collections (usually a good gauge of the local economy) fell slightly from 2000 to 2001, the second year in a row. For the ten-year period before 2000, sales tax had grown by at least 2% per year. In 2001, collections of the general sales tax (2%) for the operations of the City and Parish were \$317,796 under 2000 revenues, representing a 0.26% decrease.

Major Initiatives in 2001



The new **Advanced Traffic Management Facility** opened in July of 2001.

This facility is manned on a 24-hour basis by numerous agencies including local law enforcement, emergency medical services, emergency 911 communications, fire communications and traffic engineering. It integrates surveillance, incident detection, traffic control, motorist information, and emergency response into one management center for the Greater Baton Rouge metropolitan area. The 47,000-square-foot center is adjacent to the Greater Baton Rouge Airport and the Fire Department Administration and Training Facility. Traffic control is now enhanced by deploying Intelligent Transportation Systems strategies, including the use of closed-circuit

television and speed sensors on the interstate highway system. These technologies will dramatically decrease the time necessary to detect incidents and improve response time by all agencies.

On November 17, 2001, voters renewed a one-half percent sales and use tax that was first approved in 1990 for **street and road improvements**. The renewal ballot dedicated 60% of the \$164 million expected to be generated during the additional five and one-half year program for street construction, with the remaining 40% dedicated to the rehabilitation and maintenance of existing streets and roads. The construction portion of the tax will provide for the completion of ten projects approved during the previous election and the construction of seven new projects. Over \$10.7 million of improvements funded through this program were capitalized in 2001.

The City of Baton Rouge issued **\$23,625,000 in Public Improvement Sales Tax Revenue Bonds** on August 15, 2001, providing \$5,400,000 to defease the 1997 Passenger Facility Charge Note of the Greater Baton Rouge Airport and

providing local match of approximately \$18,225,000 million (including applicable issuance costs) on a \$50 million project for the expansion of the Riverside Centroplex convention center.

The Parish of East Baton Rouge issued **\$20,000,000 in Public Improvement Sales Tax Revenue Bonds** on August 15, 2001, for the second phase of the new Sanitary Sewer Overflow Corrective Action Program. Also, a 32% increase in the parish-wide sewer user fee took effect January 1, 2001. The impact and use of this fee and the purpose of this bond issue is discussed in the following section.

Long-Term Financial Planning

In August of 2001, the Parish of East Baton Rouge entered into a Consent Decree with the U.S. Environmental Protection Agency (EPA) and the State of Louisiana, as represented by the Department of Environmental Quality (DEQ), to remedy violations of the Clean Water Act and National Pollution Discharge Elimination System (NPDES) permits issued to the Parish for its sewerage treatment plants. The Consent Decree requires the City-Parish to devise a capital improvements program that will reduce sanitary sewer overflows during peak rainfall events. This program must be completed by December 31, 2014.

In 1998, an outside engineering firm was hired to develop a **Sanitary Sewer Overflow (SSO) Corrective Action Plan**. They presented their findings to the Mayor-President and the Metropolitan Council in the fall of that year. The purpose of the SSO Corrective Action Plan is to: (1) protect the public health through the control of sewer overflows; (2) comply with national, state, and local laws; (3) develop a computerized model of the sanitary sewer collection system; (4) develop standard specifications and design criteria for rehabilitation and new construction; (5) determine the effectiveness of sewer rehabilitation through the collection of flow data; and (6) resolve infiltration issues to provide for future growth.

In 1999, the U.S. Army Corps of Engineers was engaged to analyze the results of the SSO Corrective Action Plan. From their analysis, three capital improvement plans emerged with costs ranging from \$419 million to \$728 million. The more expensive alternatives, in terms of up-front capital costs, offered the most opportunity for long-term operation and maintenance cost savings. The less expensive alternatives, though viable in terms of performance, had higher projected operation and maintenance costs once completed.

The Metropolitan Council selected the \$618 million construction alternative in August of 2001, to implement the SSO Corrective Action Plan. This was approved in conjunction with the aforementioned Consent Decree with the EPA and DEQ. Highlights of this construction alternative include the construction of one large storage basin, deep underground gravity sewers, three ballasted flocculation waste water treatment facilities, storage tanks in outlying areas of the Parish, and rehabilitation of selected areas of the sanitary sewer collection system.

Financing of the SSO Corrective Action Plan began in August of 1999 with the passage of Ordinance 11542. This ordinance authorized a 95% increase in sewer user fees that was phased in over a three-year period using the following schedule:

32% increase	January 1, 2000
32% increase	January 1, 2001
31% increase	January 1, 2002

Two sewer sales tax revenue bond issues, one in 1999 totaling \$43 million and one in 2001 totaling \$20 million, were authorized to begin the financing of the project. In 2002, the Metropolitan Council will be asked to approve an additional sewer user fee increase of 10%, effective January 1, 2003, and an annual 4% increase beginning on January 1, 2004. This additional funding will provide the Parish with a stronger user fee revenue base so that revenue bonds backed by the sewer user fee can be issued to help finance the program. It is estimated that approximately \$308 million in sewer user fee bonds will be issued. An additional \$78 million in sewer sales tax revenue bonds will also be issued to fund the program. Other funding mechanisms that will be analyzed include borrowing funds from the Louisiana Department of Environmental Quality’s Revolving Loan Fund and financing a part of the program with variable rate

debt from the Louisiana Community Development Authority (LCDA). Pay-as-you-go funds generated from system operations will also be used in the construction program.

Pension Operations

The City-Parish's contribution to the City-Parish Employees' Retirement System (CPERS) during 2001 was short of the Governmental Accounting Standards Board (GASB) Statement No. 27 annual pension cost (APC) by approximately \$2.9 million, increasing the ordinary net pension obligation (NPO) from \$4.6 million at January 1, 2001, to \$7.5 million at December 31, 2001. The 2001 adopted contribution rate paid by City-Parish to the system was lower than the actuarially determined rate included in the valuation of January 1, 2001. The primary cause of the shortage in the 2001 contribution was restraints on the General Fund budget. In addition, an official settlement and pension system payment on a Nineteenth Judicial District Court lawsuit filed by retired law enforcement officers increased the NPO for the City-Parish by another \$1.8 million, netting an increase in the NPO of \$9.3 million for year 2001. See Note 7 of the Notes to Financial Statements for additional information regarding pension operations.

Cash Management Policies and Practices

Diverse operations of the various funds of the City-Parish require a sophisticated cash management system to control and actively utilize cash as a financial resource.

A single consolidated account has been established at a local bank into which monies are deposited and from which most disbursements are made. The purpose of the Consolidated Cash Management Pool is to reduce administrative costs and provide a single cash balance available for the maximization of investment earnings.

The objectives of the legally adopted investment program are, in order of importance, to minimize risk, ensure adequate liquidity, and maximize yields. The City-Parish is authorized by state statute to invest temporarily idle cash, as more fully described in Note 3 of the Notes to the Financial Statements.

During 2001, temporarily idle cash was invested primarily in the Louisiana Asset Management Pool (LAMP), U.S. government securities, certificates of deposit, and our fiscal agency demand deposit account. At year end, interest earnings in 2001 on matured investments in the central cash management program totaled \$15,730,075. The effective annual interest rate on all maturing centrally managed investments was 4.72% in 2001, compared with 6.2% in 2000.

Cash and investments for one blended component unit, the City-Parish Employees' Retirement System, are not included in the City-Parish government's consolidated bank account. This organization is considered part of the City-Parish primary government, but maintains separate bank accounts and controls its own disbursements and investments. Individual cash items of the discretely presented component units are presented in the financial statements.

In accordance with bond resolutions concerning the issuance of revenue bonds, separate cash accounts are maintained by trustees for the debt accounts of all sales tax revenue bonds, the Greater Baton Rouge Parking Authority, and the East Baton Rouge Sewerage Commission. Trustee-held funds as of December 31, 2001, were as follows:

Sales Tax Revenue Bonds	\$22,830,393
Greater Baton Rouge Parking Authority	1,033,318
East Baton Rouge Sewerage Commission	<u>37,242,568</u>
Total Trustee-Held Funds	<u>\$61,106,279</u>

Investment activity as of December 31, 2001, on trustee-held funds is detailed in Exhibit H-1. All of the primary government's deposits as of December 31, 2001, were either collateralized with securities held by the pledging financial institution's trust department or agent in the City-Parish's name, or covered by FDIC insurance as required by law.

Risk Management

The City-Parish's comprehensive risk management program includes coverage for property, general liability, workers' compensation, unemployment, health, life, and dental insurance. The City-Parish self-insurance policy is further explained in Note 13 of the Notes to the Financial Statements.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baton Rouge and Parish of East Baton Rouge for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

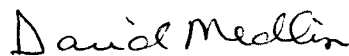
In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting by GFOA, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents conforming to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City-Parish has received this award each year for the 14-year period ending December 31, 2000. I believe our current report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

In addition, the City-Parish also received the GFOA's Award for Distinguished Budget Presentation for its annual operating budget prepared for the fiscal year covered by this Comprehensive Annual Financial Report. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device.

The preparation of this report on a timely basis could not have been accomplished without the dedicated services of a highly qualified staff. I appreciate the efforts of the City-Parish component unit agencies and their external auditors for the early implementation of GASB Statement No. 34. Special acknowledgment is due to the staff of the Accounting Division, whose considerable efforts resulted in the successful completion of this document and the timely implementation of the new standards. I also acknowledge the thorough, professional, and timely manner in which the audit was conducted by our independent auditors, Postlethwaite & Netterville, APAC. In addition, I express my sincere appreciation to Mayor-President Bobby Simpson and the Metropolitan Council for the support they have shown the Finance Department over the last year. With the assistance of the Mayor-President and Metropolitan Council, we will strive to continuously improve our accounting and financial reporting to the people of East Baton Rouge Parish and other readers of our financial reports.

Respectfully submitted,



David Medlin, CPA
Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baton Rouge-Parish
of East Baton Rouge,
Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2000

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Timothy A. Dwyer
President

Jeffrey L. Esser
Executive Director

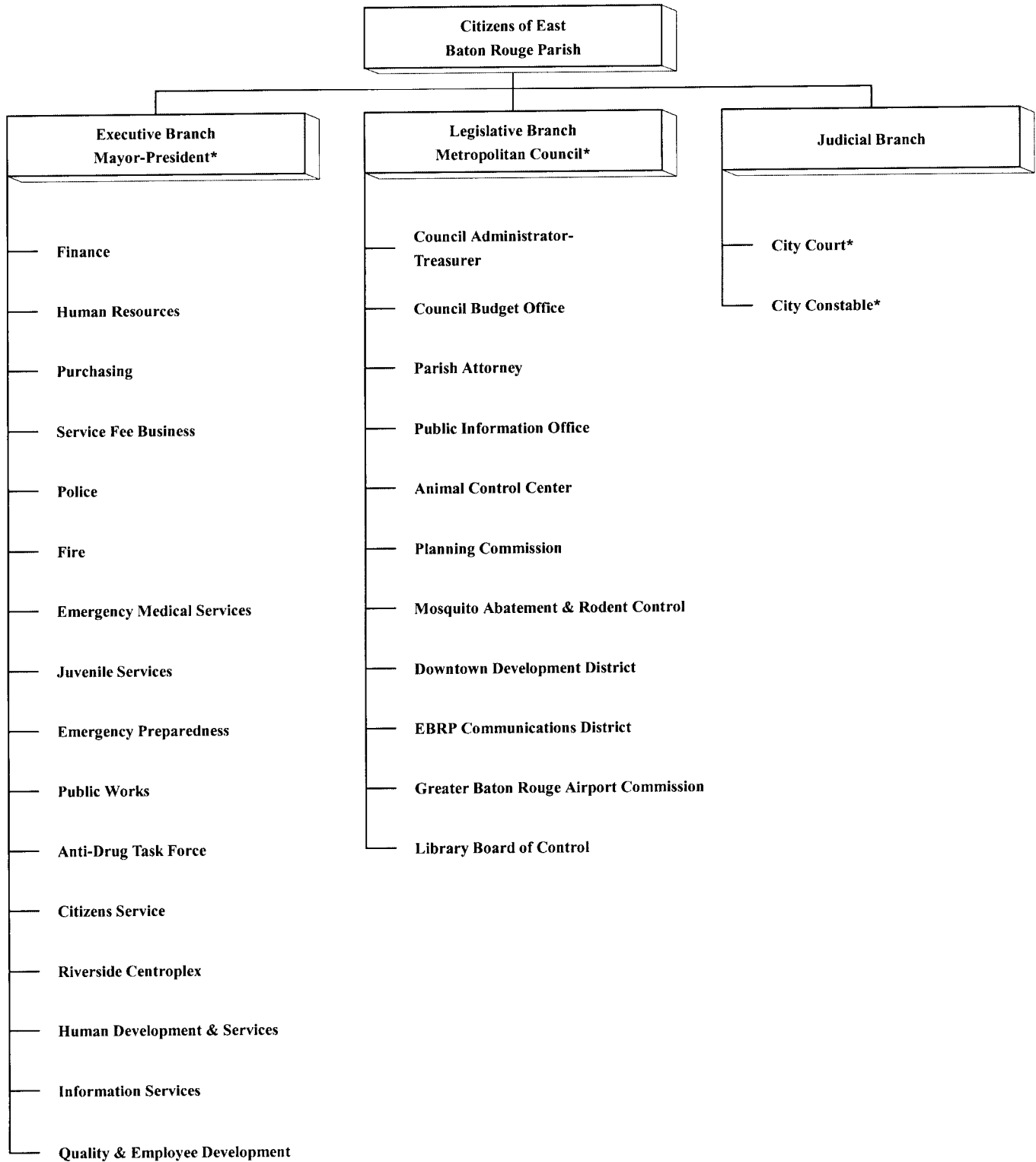
**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
PRINCIPAL OFFICIALS
DECEMBER 31, 2001**

MAYOR-PRESIDENT - BOBBY SIMPSON

COUNCIL MEMBERS

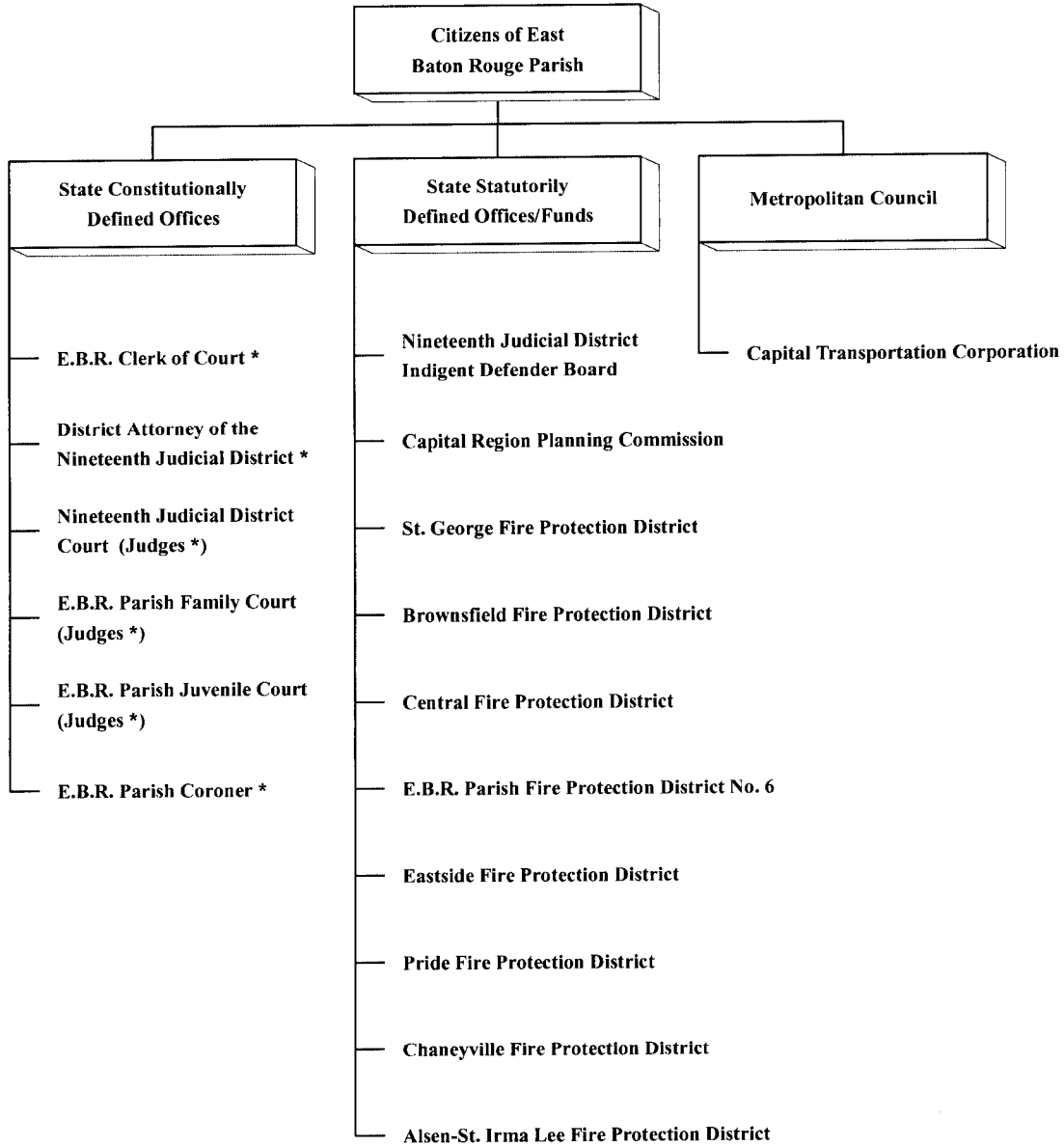
District 1	Wayne Carter
District 2	Ulysses Z. Addison, Jr.
District 3	Pat Culbertson
District 4	Joseph "Joe" Greco
District 5	Charles Kelly
District 6	Martha J. Tassin
District 7	Byron Sharper
District 8	J. Michael "Mike" Walker
District 9	Darrell P. Ourso
District 10	Lorri Burgess
District 11	David J. Boneno
District 12	James T. "Jim" Benham

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
ORGANIZATIONAL CHART
PRIMARY GOVERNMENT**



* Designates Elected Officials

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
ORGANIZATIONAL CHART
COMPONENT UNITS**



* Designates Elected Officials

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE
ORGANIZATIONAL CHART
FINANCE DEPARTMENT**

